

**STATE OF IOWA**  
**BEFORE THE IOWA UTILITIES BOARD**

**IN RE:**

**INTERSTATE POWER AND LIGHT  
COMPANY**

**DOCKET NO. RPU-2023-0002**

**APPLICATION FOR REVISION OF ELECTRIC AND NATURAL GAS RATES**

COMES NOW, Interstate Power and Light Company (IPL or the Company), and pursuant to Iowa Code § 476.6, requests authority to revise its electric and natural gas rates, charges, and tariffs. In support of its Application, IPL states as follows:

1. IPL is a rate-regulated public utility as defined in Iowa Code § 476.1 and provides electric service to approximately 500,000 electric customers and 225,000 natural gas customers in the State of Iowa. IPL is principally engaged in the business of generating, distributing, and selling electricity and distributing, selling, and transporting natural gas. As a rate-regulated public utility, IPL's rates and charges for electric and natural gas service are subject to the jurisdiction of the Iowa Utilities Board (Board).

2. IPL distributes electricity throughout Iowa, with a territory covering 83 of Iowa's 99 counties and more than 37,500 square miles, or around two-thirds of the entire state. IPL's service territory is largely rural, with small and geographically dispersed communities and only a few urban clusters. Approximately two-thirds of the customers served by IPL's energy grid live in rural areas, requiring an extensive infrastructure network to serve those dispersed customers.

3. IPL distributes natural gas through 5,172 miles of transmission and distribution mains. IPL maintains connections to 179 interstate pipeline gate stations to provide a source of gas to its customers and 487 pressure regulation stations.

4. IPL's last base rate review request was filed more than four years ago, using a 2020 test year, with those rates going into effect more than three years ago. See Docket Nos. RPU-2019-0001 and RPU-2019-0002. As described more fully below and in the testimony, exhibits, evidence, schedules, and workpapers submitted with this Application, IPL has brought substantial value to its customers during the intervening period by improving reliability through investment in electric and natural gas facilities, all while holding base rates steady by effectively managing costs through a period of high inflation, extreme weather, and supply chain and workforce disruptions.

5. As the Board has recognized:

Over the long term, both ratepayers and shareholders are best served by a financially healthy utility that is able to invest in its infrastructure and new technology so that customers continue to receive reliable service at a just and reasonable price.

Final Order at 7, Docket No. RPU-2010-0001 (Jan. 10, 2011). It is with that principle and long-term value to customers in mind that IPL files this combined retail electric and natural gas rate review.

### **Executive Summary of Electric and Natural Gas Rate Review**

5. Since its last electric rate review, IPL has made significant investments to modernize and strengthen the power grid and diversify its generation fleet. These, investments are providing benefits to customers now, during the future test year, and will provide substantial benefits to customers over the long-term. IPL's power grid investments, including investments in a fiber-optic network and continued standardization and undergrounding of distribution assets, are also enhancing the grid's reliability, resiliency, and further enable the safe operation of the electric grid. IPL's thoughtful transition of its generation fleet and investments was made after a year-long

comprehensive planning process that projected an estimated \$300 million in avoided customer costs over the next 35 years, while increasing the diversity of IPL's generating fleet, and reflecting customer preferences for increasing use of renewable generation and cleaner, no fuel-cost generation.

6. IPL's electric rate review is impacted by numerous developments since its last rate review including, but not limited to, the following: (1) IPL adding 400 megawatts (MW) of solar generation assets including Duane Arnold Solar I (DAS I), Duane Arnold Solar II (DAS II), Creston Solar, and Wever Solar (collectively Solar Projects); (2) Retirement of IPL's coal-fired Lansing Generating Station (Lansing); (3) Continued investment in IPL's distribution grid including the capital investments resulting from the damage incurred as a result of the August 2020 Derecho (Derecho) and the continued development of IPL's underground fiber network; (4) The expiration of the wholesale electric contract with the Southern Minnesota Electric Cooperative (SMEC) and the expiration of related tax benefits; and (5) The updating of electric utility and common plant depreciation rates supported by an independent depreciation study.

7. Since its last natural gas rate review, IPL has continued to make significant investments in its natural gas infrastructure. IPL's investments in its natural gas system are providing benefits to customers now and over the long-term by ensuring customers and communities have access to safe, reliable, and affordable gas service. These capital investments can be broken down into the following categories: (1) Externally driven projects; (2) Regulatory projects; (3) Reliability initiatives; and (4) Special projects.

8. IPL's customers have experienced the benefits of IPL's investments, while the Company's electric and gas base rates have remained unchanged. IPL's proposed

electric and gas revenue changes are based upon a 12-month forecasted future test year (FTY) that encompasses October 1, 2024, through September 30, 2025.

9. IPL proposes to change retail electric rates using a phased-in approach that results in a net revenue increase of approximately \$160 million effective October 1, 2024. This amount is net of the projected revenue totaling approximately \$178 million that would have been recovered via the existing Renewable Energy Rider (RER). In this rate review, IPL is proposing to discontinue the RER effective with the initial change in base rates. IPL also proposes to phase-in the remainder of the revenue increase of an additional approximately \$124 million effective October 1, 2025, which is the end of the FTY.

10. The phase-in of this retail electric rate change is based upon discrete known and measurable adjustments and is proposed to mitigate the rate impacts for customers, accelerate utilization of non-recurring credits during the FTY, and match recovery of costs with benefits to occur during and after the FTY. The phase-in benefits customers because it will allow customers to adjust to smaller rate increases over a multi-year period thereby reducing the impact of a one-time increase.

11. IPL proposes to increase retail natural gas rates to increase revenue by approximately \$14 million effective October 1, 2024. IPL does not propose to phase-in the rate change for retail natural gas utility rates.

12. The electric and natural gas rate changes are necessary to ensure IPL can continue to provide clean, safe, effective, and reliable electric and natural gas service and to recover the costs associated with those valuable grid and infrastructure improvements, cleaner generation, and other electric and gas system improvements. IPL's request is just, reasonable, and will provide IPL with a fair opportunity to earn its authorized return.

13. IPL consistently seeks to respond to customers' evolving energy and natural gas needs and, as part of its request, also proposes new and revised rate options. These offerings will, among other benefits, provide customers with the opportunity to have more control over their bills and provide additional opportunities to attract economic development to the communities IPL serves.

### **Customer Benefits and Value**

14. IPL continues to strike a balance between investing for system reliability and customer affordability. In its last electric rate review, IPL highlighted core areas of investment that it was prioritizing then and into the future which included electric investments in the following: (1) Investments in cost-effective generation; and (2) Enhancements to the energy grid.

15. IPL's last rate review for natural gas highlighted capital investments including (1) Replacement of aging material; (2) Addition of Advanced Metering Infrastructure (AMI); (3) Installation of new inspection and safety equipment; and (4) The upgrade of existing pipelines for more reliable and expanded service.

16. These electric and natural gas investments are aligned with IPL's strategy and reflect customers' expectation that IPL safely deliver affordable, reliable and increasingly clean energy and natural gas to its customers and communities.

17. IPL continues to transform its electric distribution and generation infrastructure to provide value for customers. IPL recently retired Lansing, a coal-fired generating unit constructed in 1977. IPL has also made substantial investments in generation resources that diversify IPL's fleet and minimize exposure to volatile fuel prices, headlined by a significant expansion of IPL's solar generation resources. As part of its Solar Projects, IPL will bring an additional 400 megawatts (MW) of new solar energy

in-service in 2024. These additional solar resources will benefit customers through lower fuel costs and reduced emissions.

18. IPL's customers and the State of Iowa, more broadly, will benefit from IPL's investment in cost-effective wind and solar generation. The evolution of IPL's generation fleet, along with Board-approved emissions control investments at its coal units, has decreased air emissions significantly.

19. Over the past four years, IPL has strengthened the energy grid and is continuing to modernize its energy grid in ways that provide immediate and long-term value for customers including investment in a fiber-optic network and infrastructure investments made in response to the Derecho. Among other things, IPL is investing in its energy grid to maintain high levels of reliability and provide modern technology that will enhance the distribution grid's ability to accommodate increasing levels of customer-owned (DG), growing demand for electric vehicles (EV), and emerging distributed energy resources (DER) technologies like battery storage and DER participation in wholesale markets.

20. All of these benefits have occurred while IPL has continued to deliver hundreds of millions of dollars in tax benefits to customers through election of bonus depreciation, challenges of tax treatment by IPL, and advocacy with taxing authorities.

### **Summary of Electric Investments and Rate Proposals**

21. From 2020 through the FTY, IPL will have invested more than \$2 billion on behalf of its customers and communities to advance cleaner energy and upgrade the power grid. If IPL is not able to reasonably increase rates to recover costs not currently included in rates, the fair balance between provision of quality service to customers and the opportunity for the Company to earn a reasonable return will be upset.

22. The investments described below demonstrate IPL's proactive response to customer expectations, industry transformations, and regulatory changes to serve customers and build stronger communities. IPL's goal is to deliver a more reliable, efficient, and customer-centric grid, while keeping a focus on customer affordability.

23. Specific customer-focused investments include the following:

**Solar Projects:**

24. IPL has made significant investments in new solar generation assets. IPL is adding 400 MW of solar generation to its generation portfolio starting in 2024 to benefit IPL's customers and the state of Iowa. These projects were included as part of IPL's application for Advanced Ratemaking Principles in Docket No. RPU-2021-0003. This addition of 400 MW of solar will continue IPL's transition to a more diverse generation mix and cleaner sources of energy and capacity while helping meet the capacity needs of IPL's customers and supporting the reliability of IPL's generating fleet, all while boosting economic development.

**Franklin County Wind Farm (FCW) Repower Project**

25. The FCW repower is planned to be completed by September 30, 2024. A wind repower generally involves the replacement of a wide range of components. The FCW repower project will result in higher overall availability of the solar project in the next 5-10 years than would be the case without a repowering, as replacement activity is confined to one single outage event, which should also provide for lower maintenance requirements. Performing all replacements at once will allow FCW to qualify for a new 10-year period of production tax credits (PTCs), which will result in savings for IPL customers.

### **Fiber Optic Communications Infrastructure**

26. Fiber optic cable (fiber) is a secure, high-performing, resilient, and reliable communications backbone that supports the needs of IPL's evolving electric and gas distribution infrastructure and its workforce. By choosing a utility owned fiber network that is installed underground, IPL has implemented an industry-standard technology that enables needed critical communications. IPL's fiber network will permit the improvement of security at key IPL facilities and provide scalability and bandwidth to meet current, future, and emerging demands. As part of its commitment to serving customers and building stronger communities, IPL continues to support an evolving electric grid, particularly as the evolution of DER increases the complexity of the electric flow from one-way to two-way direction flow.

27. A utility owned fiber system delivers all of the following critical benefits: reliability, resiliency, physical and cyber security, affordability/financial benefits, and performance including bandwidth and speed. IPL is expanding its fiber optic communications infrastructure beyond the core transport route constructed in 2019 and 2021 (Phase I) to further ensure reliability, resiliency, scalability, and security. IPL's continuing investments in fiber will build on Phase I.

28. The Phase II fiber deployment will continue the build out of the Core Transport Routes and include the installation of approximately 410 miles of fiber. The fiber will connect approximately 75 IPL facilities including field offices, communication towers, substations, and generating plants.

### **Derecho Infrastructure Restoration**

29. The Derecho hit central and eastern Iowa on August 10, 2020, with widespread, hurricane-force straight-line winds with a maximum speed of 140 mph,



causing extensive damage and power outages across the state. At its peak, the storm caused more than 256,000 IPL customers in 341 communities to experience a loss of power. The Derecho struck with little to no advance notice and caused an unprecedented amount of damage to IPL electric facilities and IPL's distribution system, creating unanticipated financial impacts in both responding to the emergency and performing ongoing permanent repairs.

30. IPL's efforts to restore service to customers impacted by the storm were substantial. The aftermath left IPL needing to replace a significant number of overhead facilities, including more than 3,600 poles and 1,100 miles of conductor. More than 2,200 crew members worked to replace power lines and poles to restore service to customers while another 760 workers focused on tree and debris removal. In addition, more than 200 Iowa National Guard members cleared 590 city blocks in Linn County, removing 28 million pounds of debris.

31. IPL's total utility expenditures were \$143 million. IPL seeks recovery of the deferred costs and credits related to the Derecho in connection with this rate review.

### **Description of Electric Rate Request**

32. IPL is not requesting interim rate relief under Iowa Code § 476.6(9)(a).

33. IPL seeks a change in its retail electric rates using a phased-in approach that results in a net revenue increase of approximately \$160 million effective October 1, 2024, which is the beginning of the FTY. This amount is net of the projected revenue totaling approximately \$178 million that would have been recovered via the existing RER that IPL requests be discontinued in connection with this rate review. IPL also proposes to phase-in the remainder of the revenue increase of approximately \$124 million effective October 1, 2025, which is the end of the FTY. This includes a return on equity (ROE) of

10.0 percent, with an equity ratio of 52 percent, as recommended by IPL's expert witness Dr. Bente Villadsen. With a key focus on customer affordability, IPL is requesting a conservative ROE and equity ratio that are lower in the range of what the financial models indicate, as supported by Dr. Villadsen.

34. IPL's generation, distribution, infrastructure, and customer service investments, along with other necessary infrastructure needs, are benefitting customers, and it is just and reasonable for IPL to recover the costs of those investments. Full recovery of these investments is necessary to ensure that customers are served by "a financially healthy utility that is able to invest in its infrastructure and new technology so that customers continue to receive reliable service at a just and reasonable price." Final Order at 7, Docket No. RPU-2010-0001 (Jan. 10, 2011).

#### **Summary of Gas Investments and Rate Proposals**

35. Since 2020, IPL will have invested approximately \$84 million to maintain the gas system's integrity, reliability, safety and to meet customer needs between January 1, 2021, and September 30, 2024, and IPL plans to invest approximately \$22 million during the FTY.

36. IPL's investments since 2020 include the following categories: (1) Externally driven projects such as road moves, gas line and/or services extensions, or system modifications necessitated by work conducted by adjacent utilities; (2) Regulatory projects including Maximum Allowable Operating Pressure reverification, material verification, legacy material replacement, and improvements to systems to enhance future assessment activities; and (3) Reliability projects including system rebuilds and regulator station rebuilds to manage life-cycle asset replacement and maintain the overall system condition and safe and reliable performance for the benefit of IPL's

customers. These projects are either in service in 2023 or will be in service by September 30, 2024, providing benefits to customers.

### **Description of Natural Gas Rate Request**

37. IPL proposes to change natural gas rates to increase revenue by approximately \$14 million effective October 1, 2024. IPL does not propose to phase-in the rate change for retail natural gas utility rates. IPL proposes an ROE of 10.0 percent, with an equity ratio of 52 percent, as recommended by Dr. Villadsen. Similar to electric, IPL is requesting a conservative ROE and equity ratio that are lower in the range of what the financial models can support.

38. IPL's natural gas investments, along with other necessary infrastructure needs, are benefiting customers, and it is just and reasonable that IPL recover the costs of those investments. If IPL is not able to reasonably increase rates to recover costs not currently in rates, the fair balance between provision of quality service to customers and the opportunity for the Company to earn a reasonable return will be upset.

### **Filing Requirements**

39. Pursuant to Iowa Code section 476.6(2), as amended by House File 601, prior to filing this Application, but not more than 30 days prior to the filing, IPL provided notice to all its retail customers on October 11, 2023, either by first-class mail or electronically via email, depending on how the customer elects to receive their bills, a Board-approved Notice of Rate Increase. Copies of the final customer notices for each class were filed on October 6, 2023. Pursuant to 199 IAC 26.4(1)(b)(5), contemporaneous with this Application, IPL is filing an exhibit showing the calculation of all amounts included in the final notices. Customers who request service from IPL prior

to final resolution of this proceeding will be sent the Notice of Rate Increase consistent with 199 IAC 26.4(1)(d)(4).

40. Pursuant to Iowa Code § 476.6 and 199 IAC 26.4(5), IPL has filed all required evidence, statements, and factual support for its request, including affidavits and testimony of witnesses, supporting exhibits, schedules, and workpapers. IPL's Application is based on a 12-month forecasted future test year (FTY) that encompasses October 1, 2024, through September 30, 2025, which is consistent with Iowa Code § 476.33(4)(b) and 199 IAC 26.4(5).

41. IPL has also filed simultaneously other pleadings including: (1); Tariffs to implement its final rates; and (2) An application for confidential treatment. IPL has also filed an index of its complete filing for ease of reference.

#### **Proposed Procedural Schedule**

42. IPL is providing a proposed procedural schedule attached as Exhibit A. The proposed procedural schedule is consistent with 199 IAC 26.8(1).

43. IPL also respectfully requests, to the extent possible, final rates are in effect on October 1, 2024, which is the beginning of the FTY.

#### **Conclusion**

**WHEREFORE**, IPL respectfully requests that the Iowa Utilities Board issue an order adopting IPL's proposed procedural schedule set forth in Exhibit A, and approving IPL's Combined Application for Revision of Electric and Gas Rates, as supported by the accompanying testimony, exhibits, schedules, and workpapers.

Dated this 12th day of October 2023.

Respectfully submitted,

**INTERSTATE POWER AND LIGHT  
COMPANY**

By: /s/ Matthew J. Sowden

Matthew J. Sowden

Corporate Counsel

500 East Court Avenue, Suite 300

Des Moines, IA 50309

Telephone: (515) 558-9703

[matthewsowden@alliantenergy.com](mailto:matthewsowden@alliantenergy.com)

By: /s/ Tara Z. Hall

Tara Z. Hall

Dentons Davis Brown PC

215 10th Street, Suite 1300

Des Moines, IA 50309

Telephone: (515) 288-2500

[Tara.Hall@dentons.com](mailto:Tara.Hall@dentons.com)

Exhibit A

**PROPOSED PROCEDURAL SCHEDULE****RPU-2023-0002**

<b>Filing/Activity</b>	<b>Date</b>
Application & Direct Testimony Filed	October 12, 2023
Customer Comment Meetings	November 6-9, 2023
Petitions to Intervene	January 12, 2024
OCA & Intervenor Direct Testimony	March 12, 2024
OCA & Intervenor Cross-Rebuttal Testimony	March 27, 2024
IPL Rebuttal Testimony	April 12, 2024
Settlement Deadline	April 22, 2024
Joint Statement of Issues	April 22, 2024
Discovery Deadline	May 6, 2024
Prehearing Briefs	May 6, 2024
Hearing	May 20, 2024
Simultaneous Initial Briefs	TBD
Reply Briefs	TBD